



**MCI Telecommunications
Corporation**

1801 Pennsylvania Avenue N.W.
Washington, D.C. 20006

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

ORIGINAL

July 24, 1995

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

**Re: Revision to Amend Part 32 Uniform System of Accounts for
Class A and Class B Telephone Companies to Raise the Expense
Limit for Certain Items of Equipment from \$500 to \$750; RM
8448**

Dear Mr. Caton:

Enclosed herewith for filing are the original and nine (9) copies of MCI Telecommunications Corporation's Comments, regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments, furnished for such purpose and remit same to the bearer.

Sincerely yours,

Don Sussman
Regulatory Analyst

Enclosure
DHS

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¹In the Matter of Revision to Amend Part 32 Uniform System of Accounts for Class A and Class B Telephone Companies to Raise the Expense Limit for Certain Items of Equipment from \$500 to \$750, RM 8448, CC Docket No. 95-60, Notice of Proposed Rulemaking, released May 31, 1995 ("NPRM").

proposes and additional adjustment to account for inflation it expects to occur between 1995 and 2000.² The Commission raised the expense limit above the amount indicated by historical inflation, "in recognition of the increasingly competitive environment and the rapid changes in technology."³ While MCI does not object to the raised expense limit of \$750, MCI does not agree that the expense limit should be increased as a result of an "increasingly competitive environment." The Commission just recently released its Common Carrier Competition report, which characterized the presence of alternative access providers as de minimis.⁴ Specifically, the Commission stated that:

Despite their incredible growth...alternative local service providers still account for less than one percent of access revenues.⁵

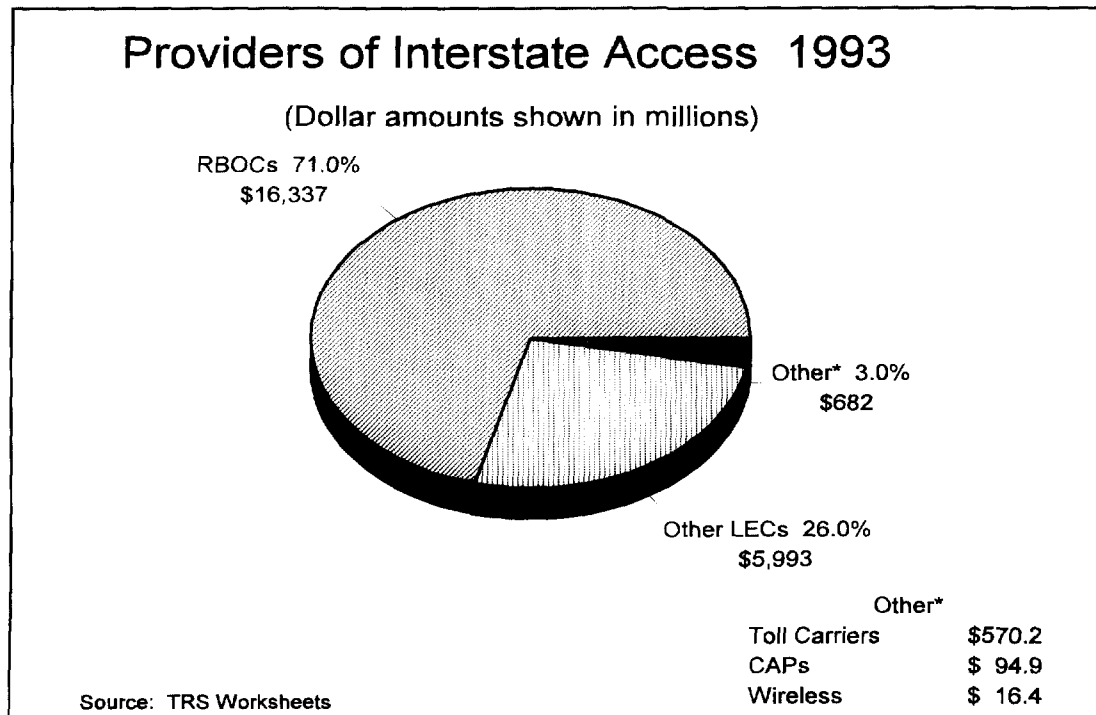
² NPRM at ¶9.

³ Id.

⁴ Common Carrier Competition, Federal Communications Commission, Common Carrier Bureau, Spring, 1995. at 6.

⁵ Id.

FCC View of Competition



There exists no effective competition for local access services. The expanded interconnection tariffs are still under investigation and the LECs continue to challenge every FCC decision in this area.⁶ Nor has the Commission found that effective competition exists for access services. While future growth for interstate access service may one day warrant a revisitation of Commission

⁶ For example, LECs have recently appealed the May 11, 1995 FCC order that set the rates, terms, and conditions for virtual collocation arrangements. *Southwestern Bell Telephone Company v. FCC*, No. 95-1351 (D.C. Cir. July 13, 1995).

regulation of LECs, the extremely limited competitive alternatives which exist today do not justify changing the current accounting requirement.

The proposed expense increase to \$750 should not qualify for exogenous treatment. The revision to the amount that LECs can expense affects only the LECs' depreciation because it reduces the amount which enters the rate base. In effect, amounts up to \$750 will have a depreciable life for one year. In the Price Cap Performance Review Order,⁷ the Commission reaffirmed its original LEC Price Cap Order,⁸ where it clearly stated that "Exogenous treatment was explicitly rejected for...categories, including depreciation rate changes."⁹ The Commission determined that depreciation changes should not receive exogenous treatment because exogenous treatment of depreciation would distort the very incentives that price caps was intended to create.¹⁰

⁷ Price Cap Performance Review Order for Local Exchange Carriers, CC Docket No. 94-1, First Report and Order, released April 7, 1995 ("Price Cap Performance Review Order").

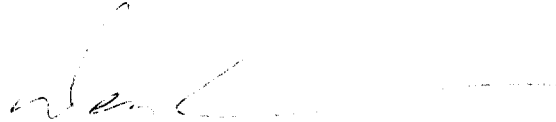
⁸ Policy and Rules Concerning Rates for Dominant Carriers, CC Docket No. 887-313, Second Report and Order, 5 FCC Rcd 6786 (1990) ("LEC Price Cap Order").

⁹ LEC Price Cap Order, 5 FCC Rcd at 6806-9.

¹⁰ LEC Price Cap Order at ¶183.

For the above-mentioned reasons, MCI urges the Commission not to revise current accounting requirements as a consequence of the de minimis amount of competition that exists in telecommunications markets. The Commission should also reaffirm its policy that depreciation rate changes do not warrant exogenous treatment, by ruling that consequences of an increased expense limit must not be treated as exogenous.

Respectfully submitted,
MCI TELECOMMUNICATIONS CORPORATION



Don Sussman
Regulatory Analyst
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(202) 887-2779

July 24, 1995

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on July 24, 1995.

A handwritten signature in dark ink, appearing to read 'Don Sussman', is written over a horizontal line.

Don Sussman
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(202) 887-2779

CERTIFICATE OF SERVICE

I, Stan Miller, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 24th day of July.

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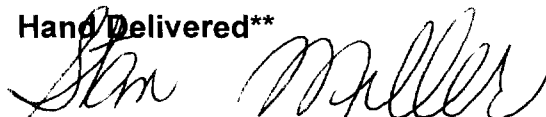
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Stan Miller